

An organization formed for the purpose of furnishing television antenna service to its members is not entitled to exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1954 as a club organized exclusively for pleasure, recreation, and other nonprofitable purposes. Furthermore, there are no other provisions of law under which such an organization may be held to be exempt from Federal income tax.

Advice has been requested whether an organization formed for the purpose of furnishing television antenna service to its members is entitled to exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code of 1954 as a club organized exclusively for pleasure, recreation, and other nonprofitable purposes.

The instant organization was formed for the purpose of furnishing and providing television antenna service to members upon payment of a stipulated membership fee and a monthly charge for maintenance of the antenna. Income is derived from membership fees and service charges. Funds are expended for equipment, maintenance and miscellaneous expense.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

(7) Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

The term 'club' as used in the above section of law contemplates the commingling of members, one with the other, in fellowship. Personal contacts and fellowship must also play a material part in the life of an organization in order for it to come within the meaning of the term 'club'. G.C.M. 23688, C.B. 1943, 283, at page 286.

The only activity of the instant organization is the operation and maintenance of a television antenna system providing television services to its members in their homes. Furthermore, fellowship does not constitute a material part of the life of the organization, since the services do not afford an opportunity for personal contacts and fellowship among members receiving such services.

Accordingly, it is held that an organization formed for the purpose of furnishing television antenna service to its members is not entitled to exemption from Federal income tax under section 501(c)(7) of the Code as a club organized exclusively for pleasure, recreation, and other nonprofitable purposes.

Furthermore, there are no other provisions of law under which such an organization may be held to be exempt from Federal income tax. Compare Rev. Rul. 54-394, C.B. 1954-2, 131, which holds that an organization whose sole activity is to provide television reception in an area not adaptable to ordinary reception, for which service it charges installation and service fees, is not exempt from Federal income tax under section 101(8) of the Internal Revenue Code of 1939 as a civic league.